

DEPARTMENT OF LABOR
STATE OF LOUISIANA



MANAGEMENT LETTER
ISSUED JUNE 6, 2007

**LEGISLATIVE AUDITOR
1600 NORTH THIRD STREET
POST OFFICE BOX 94397
BATON ROUGE, LOUISIANA 70804-9397**

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STEVE J. THERIOT, CPA

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Under the provisions of state law, this report is a public document. A copy of this report has been submitted to the Governor, to the Attorney General, and to other public officials as required by state law. A copy of this report has been made available for public inspection at the Baton Rouge office of the Legislative Auditor.

This document is produced by the Legislative Auditor, State of Louisiana, Post Office Box 94397, Baton Rouge, Louisiana 70804-9397 in accordance with Louisiana Revised Statute 24:513. Six copies of this public document were produced at an approximate cost of \$20.40. This material was produced in accordance with the standards for state agencies established pursuant to R.S. 43:31. This report is available on the Legislative Auditor's Web site at www.la.state.la.us. When contacting the office, you may refer to Agency ID No. 3352 or Report ID No. 06602520 for additional information.

In compliance with the Americans With Disabilities Act, if you need special assistance relative to this document, or any documents of the Legislative Auditor, please contact Wayne "Skip" Irwin, Director of Administration, at 225-339-3800.



STEVE J. THERIOT, CPA
LEGISLATIVE AUDITOR

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May 15, 2007

DEPARTMENT OF LABOR
STATE OF LOUISIANA
Baton Rouge, Louisiana

As part of our audit of the State of Louisiana's financial statements for the year ended June 30, 2006, we considered the Department of Labor's (DOL) internal control over financial reporting and over compliance with requirements that could have a direct and material effect on a major federal program; we examined evidence supporting certain accounts and balances material to the State of Louisiana's financial statements; and we tested DOL's compliance with laws and regulations that could have a direct and material effect on the State of Louisiana's financial statements and major federal programs as required by *Government Auditing Standards* and U.S. Office of Management and Budget Circular A-133.

The Annual Fiscal Reports of DOL are not audited or reviewed by us, and, accordingly, we do not express an opinion on those reports. DOL's accounts are an integral part of the State of Louisiana's financial statements, upon which the Louisiana Legislative Auditor expresses opinions.

In our prior management letter on DOL for the year ended June 30, 2005, we reported findings relating to internal controls over time and attendance, unlocated movable property, inadequate monitoring of Workforce Investment Act subrecipients, inadequate monitoring of Temporary Assistance for Needy Families subrecipients, and noncompliance with the Cash Management Improvement Act. The finding on the Cash Management Improvement Act has been resolved by management. All other findings have not been resolved and are addressed again in this letter.

Based on the application of the procedures referred to previously, all significant findings are included in this letter for management's consideration. The findings included in this management letter that are required to be reported by *Government Auditing Standards* will also be included in the State of Louisiana's Single Audit Report for the year ended June 30, 2006.

Unemployment Insurance Benefit Payments

DOL has identified 56,573 potentially ineligible claimants under the Unemployment Insurance (UI) program (CFDA 17.225) who received benefits totaling an estimated \$108,679,240 following hurricanes Katrina and Rita. In addition, DOL did not maintain sufficient controls over the UI program to ensure that all UI benefit payments were supported by adequate documentation as required by federal regulations.

Office of Management and Budget (OMB) Circular A-133, Subpart C, Section 300(b), requires states to establish internal control over federally funded programs to provide

reasonable assurance that the state is administering federal awards in compliance with grant provisions. In addition, OMB Circular A-87 requires that costs be adequately documented. Furthermore, Louisiana Revised Statute (R.S.) 23:1600 requires that DOL verify the reason for job loss with the claimant's last employer and requires that claimants certify weekly that they are available to work but are not employed. However, as a result of hurricanes Katrina and Rita, the governor issued Executive Orders KBB 05-34, 05-46, and 05-76 suspending the requirements of R.S. 23:1600 for the period from August 29 through November 20, 2005.

DOL provided us with its quarterly wage records for fiscal year 2006, which indicated that 56,573 claimants received UI benefits totaling \$108,679,240 while they were still employed. Of these potentially ineligible claimants, DOL identified 2,613 state employees who received UI benefits totaling \$1,953,712 for September 2005 while being paid their regular state salaries. Executive Order KBB 05-53 provided salary payments for state employees either during the declared emergency or until the office or institution reopened.

DOL also identified two DOL employees who received UI benefits totaling \$10,270 while both were employed by DOL during the benefit period. Both employees were terminated. As of October 10, 2006, the two former employees had repaid \$2,352 to DOL.

During our audit of DOL, we conducted separate tests of 42 UI payments that disclosed an additional eight claimants (19%) who received UI benefits totaling \$27,933 while they were still employed. Together with the amount previously identified by DOL, we consider the total of \$108,707,173 to be questioned costs.

In addition, we conducted tests of employer wage records on file with DOL, which are used to verify that claimants have earned wages during the base period sufficient to qualify them for UI benefits. Those tests disclosed the following:

- Sixteen employer wage records (30%) for 54 UI benefit payment transactions tested were not on file with DOL. DOL obtained 13 of these wage records from employers subsequent to our initial test; however, three records (6%) remain unlocated.
- Four employer quarterly wage records (13%) for 32 employers' tax payments tested were not on file with DOL, and one employer wage record (3%) was not accessible because of faulty microfiche. DOL obtained two of these wage records from employers subsequent to our initial test; however, three records (9%) remain unlocated.

DOL's failure to maintain adequate documentation to support employee wages may result in improper benefit payments and/or questioned costs. In addition, suspending R.S. 23:1600, which requires DOL to verify that claimants were unemployed, increased the risk that improper UI payments and/or fraud would occur and not be detected timely.

DOL management should continue working to identify and recover improper payments to claimants and should consider legal action in those instances in which fraud has been identified. DOL management should also strengthen its controls to ensure that adequate supporting documentation for wage records is maintained. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 1-2).

Additional Comment: Management stated that, based on conversations with us, “. . . that overpayments not recovered as a result of our collections efforts are not considered questioned costs that will impact future dollars relative to the administration of the UI program.” However, the federal government determines whether questioned costs will be disallowed and/or whether questioned costs will impact future dollars in the UI program.

Disaster Unemployment Assistance Payments

During the fiscal year ended June 30, 2006, DOL made benefit payments under the Disaster Unemployment Assistance (DUA) program (CFDA 97.034) to individuals who may not have been eligible under the requirements of the program. The DUA program provides assistance to individuals whose employment or self-employment has been lost or interrupted as a direct result of a major disaster and who are otherwise ineligible for regular unemployment insurance (UI).

The Code of Federal Regulations (20 CFR 625.4) establishes DUA eligibility requirements and requires that before an individual can be determined eligible for DUA, it must be established and documented that the individual is not eligible for regular UI benefits under any state or federal law. If a reliable record of the claimant's employment, self-employment, or wages is not available, 20 CFR 625.9 allows the use of a state-created affidavit to document the claimant's eligibility. In addition, R.S. 23:1600 requires DOL to verify the claimant's wage records and reasons for job loss with the individual's employer. However, as a result of hurricanes Katrina and Rita, the governor issued Executive Orders KBB 05-34, KBB 05-46, and KBB 05-76, suspending the requirements of R.S. 23:1600 from August 29 through November 20, 2005.

For fiscal year 2006, DOL paid DUA benefits totaling \$321,854,330 to 173,185 claimants. Our test of 40 DUA claimants disclosed the following:

- Fourteen claimants' records (35%) did not include sufficient verification of employment, self-employment, wages or affidavits in lieu of wage verification, as required by 20 CFR 625.4 and allowed by 20 CFR 625.9.
- Five claimants' wage records (13%) indicate that their jobs were not lost because of hurricanes and were, in fact, still employed.

We consider the payments to these 19 individuals of \$42,410 to be questioned costs.

In addition, we identified payments totaling \$1,252,240 to 1,543 claimants who received both UI and DUA in a single benefit week, which we consider questioned costs. These payments occurred because DOL set up the claimants initially as DUA claims but later determined that the individuals were eligible for UI. Status changes for these claimants were not correctly entered into the payment system, and the DUA benefits were not canceled, which resulted in the duplicate benefit payments.

The temporary suspension of R.S. 23:1600, which required DOL to verify claimants' wage records, and DOL's failure to consistently obtain the required documentation to establish eligibility for DUA benefits increase the risk that improper payments, fraud, and/or questioned costs could occur and not be detected timely. Based on the results of our tests described previously, we have identified total questioned costs of \$1,331,445.

DOL management should identify claimants for whom documentation of DUA eligibility is not on file and determine if those individuals were actually eligible for the benefits they received. In addition, DOL should recover the DUA payments from those claimants determined to be ineligible and should consider legal action in those instances in which fraud has been identified. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, pages 3-4).

Additional Comment: Management stated that, based on conversations with us, “. . . that overpayments not recovered as a result of our collections efforts are not considered questioned costs that will impact future dollars relative to the administration of the UI program.” However, the federal government determines whether questioned costs will be disallowed and/or whether questioned costs will impact future dollars in the UI program.

Overdraw of Unemployment Insurance Extended Benefits

DOL overdraw federal funds for Extended Benefits (EB) in the UI program (CFDA 17.225) by \$1,353,954 for reimbursable employers. The Code of Federal Regulations (20 CFR 615.10) requires that reimbursable employers or the state pay 50% of their EB payments--the federal government pays 100% of the claims for all other employers.

EB payments are made by the federal government to eligible unemployed individuals who have exhausted their regular UI benefits during periods of high unemployment. Reimbursable employers are governments and nonprofit agencies that reimburse DOL 100% of the unemployment claims made against their accounts rather than paying a percentage of their payrolls based on unemployment experience ratings. As a result of hurricanes Katrina and Rita, the state's unemployment rate rose, making the state eligible for extended benefits for the first time since the 1980s.

We reviewed the summary reports for the week ended November 5, 2005, through the week ended February 25, 2006. EB payments made for reimbursable employers totaled \$2,707,909, and DOL claimed a 100% reimbursement from the federal government, resulting in a \$1,353,954 overdraw of federal funds (50% of the total paid for

reimbursable employers). DOL was not aware that the reports used to determine EB funding included the reimbursable employers.

DOL management should establish policies and procedures to ensure that EB payments are reimbursed in accordance with federal regulations and should repay the federal government \$1,353,954, which is the amount DOL claimed for reimbursable employers. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 5).

**Inadequate Controls Over Administrative Costs Charged to
Workforce Investment Act Dislocated Workers Program**

DOL has charged administrative costs totaling \$152,130 to the Workforce Investment Act (WIA) Dislocated Workers program (CFDA 17.260) without maintaining sufficient documentation that these costs are ordinary and necessary for the operation of the governmental unit or the performance of the program, as required by OMB Circular A-87. On July 1, 2004, DOL contracted with Cingular Wireless for 144 wireless Internet access cards and pays a monthly service fee of approximately \$50 per card. As of June 30, 2006, DOL has charged \$152,130 to the WIA Dislocated Workers program under the contract since its inception.

Our review of controls for the assignment and use of Internet access cards disclosed the following:

- Although DOL maintains a list of the Internet access card inventory numbers and can identify usage by these inventory numbers, DOL cannot identify all individual employees who use the cards to ensure they are ordinary and necessary for the WIA Dislocated Workers program. In addition, our review disclosed that the cost of Internet access cards assigned to the secretary of DOL and the director of public relations are charged as direct costs to the program; however, their salaries and related expenses are administrative cost and should not be charged directly to the program.
- Our review of the March 2006 and October and November 2005 monthly statements disclosed that of the 144 Internet access cards, only 15 (10%) were used in each of the three months, 74 (51%) were used in only one or two of the three months, and 55 (38%) were not used at all during the three months.

Failure to identify all individual employees who use the Internet access cards increases the risk of errors and/or fraud resulting from inappropriate use and precludes DOL from ensuring that the Internet access cards are ordinary and necessary for the WIA Dislocated Workers program as required by OMB Circular A-87. Furthermore, based on a lack of usage, it is doubtful that 144 Internet access cards are necessary for the WIA Dislocated Workers program. Therefore, we question the entire cost of \$152,130 charged to the program.

DOL management should implement procedures to maintain an inventory of individuals to whom Internet access cards are assigned, reconcile the monthly billings to the Internet access card inventory, and evaluate the number of Internet access cards necessary for the performance of the federal program. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 6).

Lack of Controls Over Payroll/Leave Administration

For the second consecutive year, DOL has not fully enforced its established policies and procedures to ensure that (1) extended leave is approved by the appointing authority and properly posted in the accounting records; (2) leave taken is adequately supported by approved leave slips; (3) time and attendance records are certified and approved; and (4) employee time and attendance is entered accurately and supported for the UI program (CFDA 17.225) and the Employment Service (ES) Cluster (CFDA 17.207, 17.801, and 17.804). In addition, DOL does not have adequate controls to ensure that salary payments are not made to employees after termination. Civil service Rule 15.2 requires that classified employees and their supervisors certify the number of hours of attendance or absence from duty on the time and attendance records. Furthermore, OMB Circular A-87, Attachment B, Section 8(h), states that payroll costs charged to federal programs are to be documented in accordance with the generally accepted practice of the governmental unit and approved by a responsible official of that governmental unit.

Our tests of 35 employee records and five timekeepers disclosed the following:

- One employee was paid \$24,790 for 1,240 hours of annual leave, and one employee was paid \$6,515 for 303 hours of sick and annual leave. Neither employee's leave was approved by the appointing authority as required by DOL policy. Because their payrolls were charged to UI and ES, we have identified federal questioned costs totaling \$31,305.
- Leave slips for four employees (11%) were not approved by the employees' supervisors.
- Three timekeepers (60%) did not maintain reports needed to verify that time sheets were entered correctly.
- Two time sheets (6%), one of which was a timekeeper's time sheet, were not signed by the employees.
- Two time sheets (6%) were not signed by the supervisors.
- We noted the following additional errors for four employees' time sheets (11%): leave entered per the Time Entry Audit Report for one timekeeper's time sheet did not agree to the leave slips; leave slips for one time sheet were not signed by the employee; funeral leave granted for one employee was not in accordance with DOL's funeral leave policy; and

hours worked per reporting category for one employee did not agree to the Time Entry Audit Report or the Cost Distribution Report.

We also tested employee payrolls for possible overpayments. We identified nine employees who were paid \$6,035 subsequent to their termination dates (these payments were not charged to DOL's federal programs). These overpayments occurred because DOL's human resources section did not enter the terminations timely, and the employees' supervisors did not review the payroll input sheets before payroll processing to ensure that the terminated employees were removed from the payrolls. Of the \$6,035, DOL has recovered \$1,365.

Failure to maintain adequate documentation to support payroll subjects DOL to noncompliance with federal regulations and results in questioned costs totaling \$31,305. Failure to ensure that all employee terminations are entered timely and reviewed before payroll processing resulted in overpayments to employees totaling \$6,035. In addition, DOL has not complied with state regulations for maintaining adequate support for time and attendance, and errors and/or fraud, including overpayments to employees, could occur and not be detected timely.

DOL management should enforce and monitor its established procedures to ensure compliance with the requirements of OMB Circular A-87, reduce the risk of incurring questioned costs, and ensure compliance with civil service rules and regulations. In addition, DOL management should establish adequate controls to prevent salary payments to employees subsequent to their termination and should continue efforts to recover salary overpayments to the nine former employees who were paid subsequent to their termination. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 7).

Inadequate Subrecipient Monitoring for Workforce Investment Act Cluster

For the third consecutive year, DOL did not adequately monitor all subrecipients of the WIA Cluster (CFDA 17.258, 17.259, and 17.260) for compliance with federal laws and regulations. In addition, one of DOL's subrecipients provided its training participants with seven computers totaling \$12,397 that the subrecipient allowed its participants to keep in violation of state and federal laws.

The Code of Federal Regulations [20 CFR 667.410(b)(2)] requires that DOL's monitoring system provide for annual onsite reviews of its subrecipients' compliance with the federal uniform administrative requirements and include reviews of its subrecipients' fiscal and administrative functions. DOL has developed a subrecipient monitoring log to track monitoring reviews to ensure they are performed annually and a subrecipient monitoring guide to be used by staff performing the reviews. In addition, the guide requires a supervisory review of monitoring working papers upon completion.

OMB Circular A-133 requires that states use, manage, and dispose of equipment acquired under federal grants in accordance with state laws and procedures. The Louisiana Constitution of 1974, Article 7, §14, states that “. . . funds, credit, property, or things of value of the state or of any political subdivision shall not be loaned, pledged, or donated to any person, association, or corporation, public or private.”

Our test of the working papers for seven of DOL’s reviews of subrecipients during fiscal year 2006 disclosed the following:

- Conclusions for two reviews (29%) did not agree with the working papers. Working papers for one review indicated there was an unexplained variance for the monthly expenditure report submitted to DOL, but these deficiencies were not disclosed in the monitoring report. One monitoring report included a finding that was not supported by documentation in the working papers.
- Two reviews (29%) did not include documentation indicating that DOL had tested all of the applicable compliance requirements. Sections of the working papers were incomplete, missing, or were not tested in accordance with the monitoring guide.
- One review (14%) did not include documentation supporting DOL’s followup of the monitoring report with the subrecipient.
- Working papers for one review (14%) indicated that the subrecipient was unable to provide an inventory of equipment as required in the monitoring procedures. We reviewed the monitoring working papers for this subrecipient and determined that the monitor had been told that the inventory was not available. The subrecipient provided additional documentation, which indicated that seven laptop computers with a total value of \$12,397 had been given to students, three of whom received the computers subsequent to their graduation from the training program.

Our review of the monitoring log for 18 subrecipients that required monitoring reviews during fiscal year 2006 disclosed the following:

- Eight (44%) subrecipients’ monitoring reviews were not begun from 13 to 20 months after their prior reviews were completed. Four of these subrecipients are located in Hurricane Katrina and Hurricane Rita affected areas, and the subrecipient monitoring reviews had not been started as of October 1, 2006.

Failure to adequately monitor subrecipients impairs DOL’s ability to evaluate the impact of subrecipient activities on overall compliance with laws and regulations. Costs incurred by a subrecipient that have not been appropriately monitored are at an increased risk of being disallowed by the federal grantors.

DOL management should ensure that all subrecipient monitoring reviews are complete and adequately documented to indicate their compliance with the WIA Cluster requirements and that the subrecipient monitoring reviews are performed timely. In addition, management should ensure that all computers are returned by its subrecipient's participants or management should consider requiring the subrecipient to repay DOL for the value of the computers. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 8).

Lack of Controls Over Movable Property

DOL identified unlocated movable property items totaling \$636,212 as a result of physical inventory procedures, and DOL has not maintained accurate records of property items' locations. In addition, DOL is not adequately reconciling its property acquisitions to its property inventory records. In its certifications of property inventory, which were submitted to the Louisiana Property Assistance Agency (LPAA) from March 17, 2006, through June 9, 2006, DOL reported that it administered \$14,489,427 in total movable property.

R.S. 39:325 requires entities to conduct an annual property inventory of movable property and report any unlocated movable property to LPAA. Louisiana Administrative Code 34.VII.313 states, in part, that efforts must be made to locate all movable property for which there are no explanations available for their disappearance. In addition, good internal control dictates that assets are properly monitored to safeguard against loss or theft and that thorough periodic physical counts of property inventory be conducted. LPAA requires entities to run quarterly reports to reconcile their property inventories, to include quarterly reconciliations of property additions.

Our tests of 47 property items disclosed that one item was not located; 16 items were not in their locations as indicated in the property records; and one item was reported on two different certifications. Our test of acquisitions disclosed that DOL entered \$9,261,044 as the cost of one item in LPAA's Protégé property record system (Protégé), although the item's actual cost was \$9,261, resulting in an overstatement of approximately \$9.2 million. Management did not detect this error.

Failure to establish adequate controls over movable property increases the risk of loss arising from unauthorized use of property and subjects DOL to noncompliance with state laws and regulations. Because of the nature of the services provided by DOL, the risk exists that sensitive information could be improperly recovered from the missing computers and/or computer-related equipment. DOL's failure to reconcile its property records to Protégé increases the risk that misstatements from errors or fraud may occur and not be detected timely by employees in the normal course of their duties.

DOL management should strengthen its procedures for conducting the physical inventory of movable property and devote additional efforts to locating movable property reported as unlocated in previous years. DOL management should ensure that it performs quarterly reconciliations of property inventory in accordance with LPAA's requirements.

Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 9).

**Inadequate Subrecipient Monitoring for the
Temporary Assistance for Needy Families Program**

For the second consecutive year, DOL has not performed adequate monitoring reviews of its subrecipients of the STEP program, a sub-program of the Temporary Assistance for Needy Families (TANF) program (CFDA 93.558). In accordance with OMB Circular A-133 and the memorandum of understanding (MOU) between DOL and the Department of Social Services (DSS), DOL is required to conduct annual onsite reviews of each of its subrecipients that carry out the STEP program activities. These reviews should include all applicable OMB Circular A-133 compliance requirements and all program and administrative requirements of the MOU.

Our tests of the 17 STEP program subrecipients disclosed that 16 subrecipients (94%) had not been monitored annually as follows:

- Eleven subrecipients' monitoring reviews (65%) were last conducted two years ago and had not begun as of October 1, 2006. Four of these subrecipients are located in Hurricane Katrina and Hurricane Rita affected areas.
- Five subrecipients' monitoring reviews (29%) were not begun until 15 to 23 months after their prior reviews were completed.

In addition, our test of the working papers for the completed monitoring review disclosed that DOL's STEP program subrecipient monitoring procedures do not include tests to ensure that the MOU's job readiness requirements concerning participant performance, core curriculum, physical resources, staffing, and workshop room size criteria are met.

DOL management has not ensured that its staff are adequately performing and documenting subrecipient reviews. Failure to adequately monitor STEP subrecipients results in DOL's noncompliance with federal regulations and with the MOU and increases the risk that funds may not be expended in accordance with program requirements.

DOL management should ensure that subrecipient monitoring procedures for the STEP program are done annually and include all applicable requirements of OMB Circular A-133 and the MOU between DOL and DSS. Management concurred with the finding and recommendations and outlined a plan of corrective action (see Appendix A, page 10).

Deficient Memorandums of Understanding

DOL has executed MOUs that do not meet WIA regulations and has not fully implemented all MOUs for the WIA Cluster programs (CFDA 17.258, 17.259, and 17.260). Entities participating in the One-stop delivery system (One-stop partners) coordinate separate workforce investment, educational, and other human resource programs to create a seamless system of service delivery that addresses the needs of employers and job seekers. The Code of Federal Regulations [20 CFR 662.100(d)] states that the One-stop delivery system must have at least one comprehensive center and may also include affiliated sites that can provide one or more partners' programs, services, and activities at each site. The 20 CFR 662.230 requires that an MOU be developed and executed among all One-stop partners relating to the operation of the One-stop delivery system in the local area. Furthermore, 20 CFR 662.270 states that each partner must contribute a fair share of the operating costs of the One-stop delivery system that is proportionate to its use. In addition, DOL's WIA Instruction Number 75 requires that One-stop partners review their cost allocation plans (CAPs) quarterly. CAPs are incorporated into the MOUs for allocating One-stop partners' operating costs.

A review of six of 18 MOUs disclosed the following:

- Two MOUs (33%) were not signed by all One-stop partners to indicate that each partner has entered into the agreement.
- Two MOUs (33%) did not include all affiliated sites or physical addresses of the One-stop partners' locations included in the CAP.
- Three CAPs (50%) were not reviewed quarterly by the One-stop partners as required by DOL.
- One CAP (17%) was incomplete because it did not include all applicable locations.

Because DOL failed to ensure that these MOUs contained all required information and were fully implemented, some federal programs participating in the operating costs of the One-stop delivery system may be paying an unfair share of the costs.

DOL management should ensure that all MOUs for the WIA One-stop delivery systems contain all the required information and that the related CAPs are fully implemented. Management concurred, in part, with the finding and recommendations (see Appendix A, page 11).

Untimely Deposits

During fiscal year ended June 30, 2006, DOL did not deposit all unemployment compensation tax payments received from state employers within the time frame required by law. R.S. 23:1492 requires that all funds payable to the Unemployment Compensation Fund be immediately deposited. Good internal controls also require that tax payments be recorded timely.

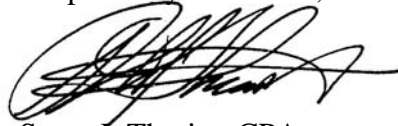
In our test of 247 tax payments deposited by the department, 221 payments (89%) totaling \$528,311 were deposited between four and 38 days after receipt. Failure to deposit tax payments timely increases the risk of loss or misappropriation of funds because of error or fraud and subjects DOL to noncompliance with state law. In addition, DOL has lost interest on funds not deposited timely.

DOL management should ensure that all UI tax payments are processed and deposited timely in accordance with state law. Management concurred, in part, with the finding and recommendation and outlined a plan of corrective action (see Appendix A, page 12).

The recommendations in this letter represent, in our judgment, those most likely to bring about beneficial improvements to the operations of DOL. The nature of the recommendations, their implementation costs, and their potential impact on the operations of DOL should be considered in reaching decisions on courses of action. The findings relating to DOL's compliance with applicable laws and regulations should be addressed immediately by management.

This letter is intended solely for the information and use of DOL and its management and is not intended to be, and should not be, used by anyone other than these specified parties. Under R.S. 24:513, this letter is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

BSL:CGEW:THC:ss

[DOL06]

Management's Corrective Action
Plans and Responses to the
Findings and Recommendations

DEPARTMENT OF LABOR_____



LOUISIANA WORKS
DEPARTMENT OF LABOR

Kathleen Babineaux Blanco
Governor

John Warner Smith
Secretary

OFFICE OF THE SECRETARY

April 4, 2007

Mr. Steve J. Theriot
Legislative Auditor
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

This is in response to the Office of Legislative Auditor's correspondence of March 19, 2007 relating to legislative audit findings for the Unemployment Insurance (UI) Program.

Unemployment Insurance (UI) Payments:

The agency concurs with the findings for UI benefit payments.

We do accept the recommendation that the agency continue working to identify and recover improper payments to claimants. The agency will consider and take necessary legal action in instances of fraud cases. Kathy Bookter, ORS Manager, is in charge of overpayment/fraud and collections. The process of collecting overpaid dollars from the 56,573 individuals will be time consuming. The agency will give all claimants due process. Due to the large volume of overpayments, a completion date is not expected until the end of 2008.

Controls were relaxed during the period that the Executive Order was in effect in the spirit of servicing Katrina and Rita victims resulting in some of the findings noted. Since then, we have improved our Internet application and implemented of a UI Call Center. We have also reinstated our controls which ensure that:

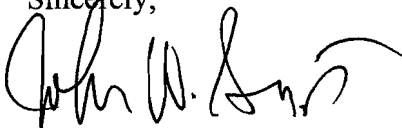
- Employees are not paid unemployment payments while they are still employed.
- Employer wage records are obtained and maintained to support earned wages of claimants.

In addition, Internal Audit will include an audit of the Unemployment Benefit payment process during their fiscal year 07/08 audit plan.

We will continue our efforts in identifying and recovering improper payments and understand (based on conversations with Legislative Auditors) that overpayments not recovered as a result of our collection efforts are not considered questioned costs that will impact future dollars relative to the administration of the UI program.

If additional information is needed, please contact Mr. Michael Delafosse, ORS Director, at (225) 342-2990.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Smith", with a stylized flourish at the end.

John Warner Smith
Secretary of Labor

JWS:MD:ae



LOUISIANA WORKS
DEPARTMENT OF LABOR

Kathleen Babineaux Blanco
Governor

John Warner Smith
Secretary

April 4, 2007

OFFICE OF THE SECRETARY

Mr. Steve J. Theriot
Legislative Auditor
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

This is in response to the Office of Legislative Auditor's correspondence of March 19, 2007 relating to legislative audit findings for the Unemployment Insurance (UI) Program.

Disaster Unemployment Assistance Program:

The agency concurs with the findings in the Disaster Unemployment Assistance Program.

The controls to ensure that adequate supporting documentation for wage records are in place. Also controls are in place to ensure that individuals who are eligible for regular UI do not receive DUA benefits.

The agency will continue working to identify and recover improper payments to claimants and consider legal action in instances of fraud. The agency has improved our Internet application and implemented a UI Call Center. In future disasters we hope that our ability to expand operations will preclude requests for an Executive Order to suspend UI eligibility requirements.

Controls were relaxed during the period that the Executive Order was in effect in the spirit of servicing Katrina and Rita victims resulting in some of the findings noted. Since then, we have improved our Internet application and implemented of a UI Call Center. We have also reinstated our controls which ensure that:

- Employees are not paid unemployment payments while they are still employed.
- Employer wage records are obtained and maintained to support earned wages of claimants.

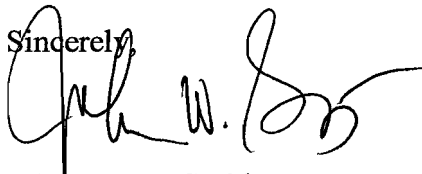
In addition, Internal Audit will include an audit of the Unemployment Benefit payment process during their fiscal year 07/08 audit plan.

We will continue our efforts in identifying and recovering improper payments and understand (based on conversations with Legislative Auditors) that overpayments not recovered as a result of our collection efforts are not considered questioned costs that will impact future dollars relative to the administration of the UI program.

Kathy Bookter, ORS Manager, is responsible for overpayment/fraud and collections activities. The agency will give all claimants due process. Because of the large volume of overpayments, a completion date is not expected until the end of 2008.

If additional information is needed, please contact Mr. Michael Delafosse, ORS Director, at (225) 342-2990.

Sincerely,

A handwritten signature in black ink, appearing to read "John W. Smith", written over the word "Sincerely,".

John Warner Smith
Secretary of Labor

JWS:MD:ae



LOUISIANA WORKS
DEPARTMENT OF LABOR

Kathleen Babineaux Blanco
Governor

John Warner Smith
Secretary

OFFICE OF THE SECRETARY

April 4, 2007

Mr. Steve J. Theriot
Legislative Auditor
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

This is in response to the Office of Legislative Auditor's correspondence of March 1, 2007 relating to legislative audit findings for the Unemployment Insurance (UI) Extended Benefits (EB) Program.

Overdraw of Unemployment Insurance (UI) Extended Benefits:

The agency agrees with the audit finding. We have repaid the federal government the full amount of \$1,353,954.00.

Our IT Section is establishing procedures to identify employees of reimbursable employers so that in the future claimants will only be paid 50% of extended benefits. Internal Audit will review the process used to determine funding as part of the Fiscal Year 07-08 audit plan.

If any additional information is needed, please contact Mr. Michael Delafosse, ORS Director, at (225) 342-2990.

Sincerely,

John Warner Smith
Secretary of Labor

JWS:MD:ae



LOUISIANA WORKS
DEPARTMENT OF LABOR

Kathleen Babineaux Blanco
Governor

John Warner Smith
Secretary

OFFICE OF THE SECRETARY

April 5, 2007

Mr. Steve J. Theriot
Legislative Auditor
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9307

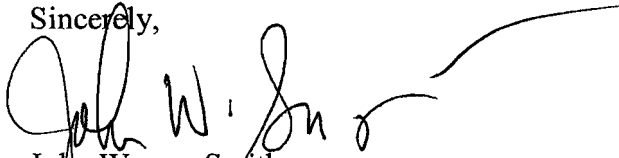
Dear Mr. Theriot:

We concur with the finding on "Inadequate Controls Over Administration Costs Charged to Workforce Investment Act Dislocated Workers Program".

We have identified all individual employees who use the cards. Of the 144 Internet access cards issued, we have initiated action to cancel all cards except for a total of 20, which have been determined to be ordinary and necessary for the performance of the programs.

In the future, these cards will only be issued through our normal purchasing process by which justification of the necessity for the card must be documented and approved by the director and appointing authority over the program.

Sincerely,



John Warner Smith
Secretary of Labor



LOUISIANA WORKS
DEPARTMENT OF LABOR

Kathleen Babineaux Blanco
Governor

John Warner Smith
Secretary

OFFICE OF THE SECRETARY

April 5, 2007

Mr. Steve J. Theriot
Legislative Auditor
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804

Dear Mr. Theriot:

We concur with the finding on "Lack of Controls Over Payroll/Leave Administration".

We will enforce to a greater degree and continue to monitor established procedures over payroll and leave administration.

In addition, better controls are being developed to prevent salary payments to employees after termination.

Efforts are continuing to recoup salary overpayments from the nine former employees who were paid after termination.

Sincerely,

John Warner Smith
Secretary of Labor



LOUISIANA WORKS
DEPARTMENT OF LABOR

Kathleen Babineaux Blanco
Governor

John Warner Smith
Secretary

OFFICE OF THE SECRETARY

April 5, 2007

Mr. Steve J. Theriot
Legislative Auditor
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804

Dear Mr. Theriot:

We concur with the finding on "Inadequate Subrecipient Monitoring for Workforce Investment Act Cluster".

Responsibility for monitoring subrecipients of WIA now falls under the responsibility of Internal Audit which is now headed by a new Audit Director. As part of his fiscal year 07/08 audit plan, the following will occur.

- the monitoring guide will be reviewed and updated where necessary.
- Our process for performing reviews will be evaluated to identify and implement efficiencies.
- Detailed workpaper reviews will be performed by the Manager
- All reports and exceptions will be reviewed by the Audit Director.

In addition, Internal Audit will obtain a Federal interpretation of what is considered timely as it related to performing the monitoring reviews and adjust our audit schedules accordingly.

Regarding the computers purchased by the subrecipient, the Louisiana Department of Labor will question the necessity of such purchases and offer an opportunity for the subrecipient to show that this equipment was directly associated with their ability to acquire employment.

Sincerely,

John Warner Smith
Secretary of Labor



LOUISIANA WORKS
DEPARTMENT OF LABOR

Kathleen Babineaux Blanco
Governor

John Warner Smith
Secretary

OFFICE OF THE SECRETARY

March 30, 2007

Mr. Steve J. Theriot
Legislative Auditor
1600 North Third Street
P. O. Box 94397
Baton Rouge, La. 70804-9397

Dear Mr. Theriot:

The following is our response to the audit finding "Lack of Controls Over Movable Property" as presented by the Legislative Auditor.

The Department concurs with the finding and has initiated corrective action.

The Office of Management and Finance is committed to the protection of the agency's assets and maintaining our integrity with regard to the LPAA guidelines as set forth in state law. We will be issuing a new Property Control Manual and plan to implement additional controls necessary to assure accurate accounting of this agency's entire inventory.

Sincerely,

John Warner Smith
Secretary of Labor



LOUISIANA WORKS
DEPARTMENT OF LABOR

Kathleen Babineaux Blanco
Governor

John Warner Smith
Secretary

OFFICE OF THE SECRETARY

April 5, 2007

Mr. Steve J. Theriot
Legislative Auditor
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804

Dear Mr. Theriot:

We concur with the finding on "Inadequate Subrecipient Monitoring for the Temporary Assistance for Needy Families (TANF) Program".

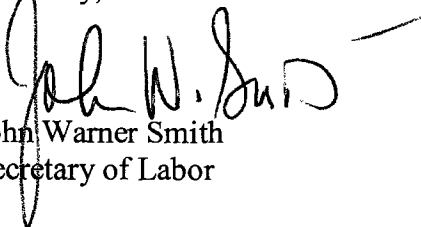
Responsibility for monitoring subrecipients of TANF now falls under the responsibility of Internal Audit which is now headed by a new Audit Director. As part of his fiscal year 07/08 audit plan, the following will occur.

- the monitoring guide will be reviewed and updated where necessary.
- Our process for performing reviews will be evaluated to identify and implement efficiencies.
- Detailed workpaper reviews will be performed by the Manager
- All reports and exceptions will be reviewed by the Audit Director.

In addition, Internal Audit will obtain a Federal interpretation of what is considered timely as it related to performing the monitoring reviews and adjust our audit schedules accordingly.

In addition, all MOU's and OMB Circular A-133 requirements associated with STEP Program subrecipient monitoring procedures will be included in our audit reviews going forward.

Sincerely,



John Warner Smith
Secretary of Labor



April 5, 2007

Mr. Steve J. Theriot
Legislative Auditor
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804

Dear Mr. Theriot:

Deficient Memorandums of Understanding

While we agree in part to the findings of the auditor concerning Memorandums of Understanding (MOUs) and Cost Allocation Plans (CAPs), we disagree with the finding that the failure to include MOUs and CAPs on all affiliated sites and satellites could result in questioned costs and that some partners may be paying more than their fair share.

- In all instances cited, locations listed were not populated by more than one entity; therefore, all costs incurred at that site were the responsibility of the site inhabitant.
- All 18 LWIAs list at least one full service One-Stop and include a CAP and MOU if more than one partner provides services through the facility.
- While CAPs did not include complete addresses including street address, all sites were identified by parish. In the future, addresses identifying the city and street will be included in the CAP, which is incorporated into the MOU.

We agree that not all CAPs and MOUs were reviewed quarterly. This was due to the lack of fully functioning partnerships during the period following Hurricanes Katrina and Rita.

Sincerely,

John Warner Smith
Secretary of Labor



LOUISIANA WORKS

DEPARTMENT OF LABOR

Kathleen Babineaux Blanco
Governor

John Warner Smith
Secretary

OFFICE OF THE SECRETARY

April 5, 2007

Mr. Steve J. Theriot
Legislative Auditor
Office of Legislative Auditor
P. O. Box 94397
Baton Rouge, LA 70804-9397

Dear Mr. Theriot:

Please find below our response to the finding entitled **Untimely Deposits**.

We concur with the assertion that we had untimely deposit batches. We do not concur with the inference that we failed to make timely deposits 89% of the time. We have identified the main problem to be checks that were placed into problem batches that were not deposited until the payment problems were resolved. The tax payments tested happened to include an unrepresentative quantity of these problem batches.

We have reviewed the process and have instituted the following changes:

- Problem checks will be scanned under a new batch class "Cashiering Unknown" using the issuer's name
- Unknown checks will be copied
- Unknown checks will be deposited daily
- Copies will be placed in a folder to be identified and applied as soon as possible

This new procedure should eliminate the delay in getting problem checks into the deposit process.

Sincerely,

John Warner Smith
Secretary of Labor